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TO AMEMBASSY BUCHAREST

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FOLLOWING REPEAT BELGRADE 1570 ACTION SECSTATE FEN 24

QUOTE S E C R E T BELGRADE 1570

E.O. 11652: GDS

TAGS: OVIP(TITO, JOSIP BROZ), CARR, CPAS, EAIR, ECON, EEWT,

ENRG, ESTC, MASS, PINT, TECH, YO

SUBJECT: TITO VISIT--THE BILATERAL RELATIONSHIP

OVERVIEW

1. TITO'S VISIT TO THE U.S. CULMINATES MORE THAN A YEAR OF SUBSTANTIAL IMPROVEMENT IN MOST AREAS OF OUR BILATERAL RELATIONSHIP. THE YUGOSLAVS WERE QUICK TO PERCEIVE IN THE FOREIGN POLICY OF THE CARTER ADMINISTRATION A MORE POSITIVE APPROACH THAN THEY FELT HAD EXISTED IN PREVIOUS YEARS TOWARD THE DEVELOPMENT OF GOOD BILATERAL RELATIONS AND TOWARD A NUMBER OF INTERNATIONAL ISSUES IMPORTANT TO THEM, SUCH AS THE NONALIGNED MOVEMENT, NORTH-SOUTH DIALOGUE, AND PROBLEM AREAS IN THE MIDDLE EAST AND AFRICA. THIS PERCEPTION, REINFORCED BY CONCRETE STEPS DEMONSTRATING THE IMPORTANCE BOTH SIDES ATTACHED TO A STRENGTHENED RELATIONSHIP AND EXPANDED COOPERATION--NOTABLY THE MONDALE, KARDELJ AND BROWN VISITS AND THE PRESIDENTIAL
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CORRESPONDENCE--GENERATED A MOMENTUM THAT HAS LED TO WHAT IS WIDELY REGARDED BY YUGOSLAVS AS THE BEST STATE OF U.S.-YUGOSLAV RELATIONS SINCE WORLD WAR II. AGAINST THIS POSITIVE BACKGROUND, HOWEVER, TWO MAJOR ISSUES--EXIMBANK OPERATING PROCEDURES AND KRSKO FUEL SUPPLY--REMAIN UNRESOLVED ON THE EVE OF THE TITO VISIT, WHILE A THIRD IMPORTANT ISSUE--MILITARY COOPERATION AND SALES--AWAITS TANGIBLE IMPLEMENTATION.

POLITICAL:

2. THE TONE OF POLITICAL RELATIONS WITH YUGOSLAVIA HAS IMPROVED PROFOUNDLY IN THE PAST YEAR. ISSUES NOW REGARDED BY THE YUGOSLAVS AS MINOR IRRITANTS WOULD HAVE BEEN TREATED IN A MORE SERIOUS LIGHT BEFORE THIS PERIOD. THE YUGOSLAVS RECOGNIZE THAT IN PURSUING A POLITICAL DIALOGUE AT ALL LEVELS THE U.S. HAS SOUGHT AN ENHANCED, MATURE, COOPERATIVE RELATIONSHIP WITHOUT PAPERING OVER MATTERS ON WHICH WE DO NOT AGREE. THE YUGOSLAVS HAVE SHOWN A WILLINGNESS TO RESPOND TO THIS APPROACH. THE PERSONAL CORRESPONDENCE BETWEEN PRESIDENTS CARTER AND TITO ON KEY INTERNATIONAL ISSUES HAS BEEN AN IMPORTANT ELEMENT IN CREATING AN ATMOSPHERE OF CONFIDENCE AND COOPERATION AT THE SENIOR LEVELS OF GOVERNMENT. THE YUGOSLAVS MUST ALSO BE AWARE THAT TITO'S VISIT TO WASHINGTON IS, SIGNIFICANTLY, THE FIRST BY A COMMUNIST COUNTRY LEADER DURING THE CARTER ADMINISTRATION.

3. THE RESPONSE ON THE PARTY LEVEL HAS BEEN LONGER IN COMING. HOWEVER, THE LCY'S ACCEPTANCE OF A JOINT INVITATION FROM THE DEMOCRATIC AND REPUBLICAN NATIONAL COMMITTEES TO SEND A DELEGATION TO THE U.S. IN THE FALL PROMISES THE POSSIBILITY OF AN EVEN LARGER EXTENSION OF THE POLITICAL DIALOGUE.

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4. OUR RECENT ACTIONS IN THE U.S. WITH REGARD TO THE APPREHENSION AND LEGAL PROSECUTION OF EMIGRE TERRORISTS HAVE TEMPORARILY MITIGATED A MAJOR AND TRADITIONAL PROBLEM IN OUR RELATIONS.

5. NEVERTHELESS, OUR POLITICAL RELATIONS STILL ARE FRAGILE AND ANY OF A HOST OF UNFORESEEN DEVELOPMENTS COULD ADVERSELY AFFECT THEIR POSITIVE MOVEMENT--GREVOUS DECISIONS EMANATING FROM THE BELGRADE NONALIGNED MEETING THIS YEAR, AN UPSURGE OF ANTI-YUGOSLAV EMIGRE ACTIVITY IN THE U.S. (ESPECIALLY DURING THE TITO VISIT), FALLOUT FROM THE CSCE CONFERENCE, THE MISREADING OF AN INCIDENT SIMILAR TO THE "OVERFLIGHTS" OCCURRENCE. AN IMPORTANT OBJECTIVE OF THE POLITICAL DIALOGUE IS TO HELP INSURE THAT WE ARE ABLE TO WHATHER SUCH OCCURANCES.

ECONOMIC/COMMERCIAL:

6. IT IS IN THE ECONOMIC AND COMMERCIAL AREA--PERHAPS MORE THAN ANY OTHER--THAT WE CAN GIVE CONCRETE EXPRESSION TO THE OVERALL GENERAL IMPROVEMENT IN OUR BILATERAL RELATIONS. AT THE SAME TIME, HOWEVER, IT IS ALSO THE ECONOMIC AREA IN WHICH

DISAPPOINTMENTS OVER UNFULFILLED PROMISE CAN BE GREATEST.
AND IN WHICH WE NOW FACE A SEVERE BILATERAL PROBLEM--THE
CURRENT IMPASSE OVER EXIMBANK'S OPERATING PROCEDURES IN
YUGOSLAVIA.

7. THE PRESENT STATE OF THE YUGOSLAV ECONOMY AND YUGOSLAVIA'S
ECONOMIC BALANCE BETWEEN EAST AND WEST PROVIDE BOTH FOREIGN
POLICY AND COMMERCIAL INCENTIVES FOR US TO CAPITALIZE ON THE
CURRENT STATUS OF OUR BILATERAL RELATIONS, COMMITTED
CONTINUING A HIGH RATE OF ECONOMIC GROWTH DOMESTICALLY (GNP
AND INDUSTRIAL PRODUCTION ROSE BY 7 PERCENT AND 9.4 PERCENT,
RESPECTIVELY, IN 1977), YUGOSLAVIA HAS HAD TO RELY ON
INCREASING IMPORTS OF FOREIGN EQUIPMENT AND TECHNOLOGY, AND
HAS HAD TO BORROW HEAVILY ABROAD TO PAY FOR THEM. NOW,
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INCREASINGLY CONCERNED BY THEIR GROWING ECONOMIC RELIANCE
ON THE SOVIET UNION (THE USSR ACCOUNTED FOR 16.4 PERCENT
OF TOTAL YUGOSLAV TRADE IN 1977) AND ALARMED BY THEIR
BURGEONING TRADE DEFICIT WITH THE COMMON MARKET (2.4 BILLION
DOLLARS IN 1977), THE YUGOSLAVS ARE CLEARLY RECEPTIVE TO
EXPANDED TRADE AND ECONOMIC COOPERATION WITH THE U.S.

8. U.S. TRADE WITH YUGOSLAVIA--WHICH, ACCORDING TO U.S.
STATISTICS, AMOUNTED TO SOMEWHAT LESS THAN 700 MILLION
DOLLARS AND WAS NEARLY BALANCED IN 1977--IS STILL IN THE
DEVELOPING STAGE BUT WITH A CLEAR POTENTIAL FOR FUTURE
GROWTH. WHILE YUGOSLAVIA HAS BEEN TRADITIONALLY ORIENTED
TO WEST EUROPEAN SUPPLIERS AND, FOR BOTH POLITICAL AND
ECONOMIC REASONS, HAS CHanneled A SUBSTANTIAL PART OF ITS
TRADE TO THE EAST, THERE IS WIDESPREAD INTEREST IN U.S.
PRODUCTS AND EQUIPMENT BECAUSE OF THEIR REPUTATION OF QUALITY
AND ADVANCED TECHNOLOGY. IN THE PAST SEVERAL YEARS, U.S.
COMPANIES HAVE BEEN INCREASINGLY ACTIVE IN EXPLOITING MARKET
OPPORTUNITIES BOTH THROUGH DIRECT SALES AND JOINT VENTURES
WITH YUGOSLAV PARTNERS. THE U.S. IS CURRENTLY SECOND AMONG
ALL COUNTRIES IN THE NUMBER OF JOINT VENTURES (17) AND FIRST
IN TOTAL EQUITY PARTICIPATION (168 MILLION DOLLARS). RECENTLY
CONCLUDED JOINT VENTURES INVOLVING DOW CHEMICAL AND GENERAL
MOTORS HAVE RECEIVED CONSIDERABLE ATTENTION AND HAVE BEEN
CITED AS THE KIND OF COOPERATIVE ARRANGEMENTS THAT CONTRIBUTE
TO YUGOSLAVIA'S ECONOMIC DEVELOPMENT. WESTINGHOUSE IS THE
SUPPLIER FOR YUGOSLAVIA'S FIRST NUCLEAR POWER PLANT AT KRSKO,
AND IS BIDDING ACTIVELY ON TWO MAJOR HYDRO AND THERMAL POWER
PROJECTS. GENERAL ELECTRIC AND GM ARE PRESENTLY SETTING UP
BUSINESS OFFICES IN BELGRADE.

9. AGAINST THIS BACKGROUND, THE CURRENT IMPASSE OVER
EXIMBANK'S OPERATING PROCEDURES IN YUGOSLAVIA ASSUMES MAJOR
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SIGNIFICANCE. THE BANK HAS BEEN AN IMPORTANT SOURCE OF FINANCING U.S. EQUIPMENT SALES TO YUGOSLAVIA, AND ITS CURRENT OVERALL EXPOSURE HERE IS CLOSE TO ONE BILLION DOLLARS. FOR LARGE INDUSTRIAL PROJECTS REQUIRING LONG-TERM LOANS, IN PARTICULAR, EXIM FINANCING HAS BEEN A KEY INGREDIENT. HAVING INFORMED EXIM THAT THEY COULD NO LONGER FURNISH "SUPERGUARANTEES FROM THE NATIONAL BANK, THE YUGOSLAVS ARE CURRENTLY CONSIDERING WHETHER THEY CAN ACCEPT AS A BASIS FOR DISCUSSION EXIM'S PROPOSALS FOR A SOLUTION BASED ON JOINT COMMERCIAL BANK GUARANTEES, FOREIGN EXCHANGE ASSURANCES FOR LOANS OVER FIVE MILLION DOLLARS, AND GOVERNMENTAL GUARANTEES IN EXCEPTIONAL CASES. IN THE MEANTIME, THE YUGOSLAV AUTHORITIES HAVE INFORMED THEIR BANKS AND ENTERPRISES THAT EXIM FACILITIES ARE NOT CURRENTLY AVAILABLE FOR FINANCING IMPORTS FROM THE U.S. HAVING REACHED THE POINT OF CONFRONTATION, THE ISSUE REPRESENTS A MAJOR IRRITANT IN OUR BILATERAL RELATIONS ON THE EVE OF THE TITO VISIT, AND RESOLUTION OF THE PROBLEM WILL BE DIFFICULT UNLESS THE YUGOSLAVS ARE PREPARED TO BREAK OFF THEIR INTRANSIGENT-ALBEIT PRINCIPLED-- POSITION AND DEMONSTRATE THE SAME WILLINGNESS TO NEGOTIATE WHICH EXIM HAS SHOWN.

10. THE BILATERAL AIR AGREEMENT SIGNED IN DECEMBER 1977 HAS SETTLED OUR MAJOR CIVIL AVIATION DIFFICULTIES WITH YUGOSLAVIA, AT LEAST FOR THE MOMENT. ALTHOUGH JAT RECEIVED INCREASED FREQUENCIES AND CAPACITY RIGHTS IN THE AGREEMENT, THE YUGOSLAVS ARE LIKELY TO PRESS FOR ADDITIONAL U.S. GATEWAYS (SUCH AS CHICAGO OR LOS ANGELES) IN THE FUTURE.

11. THERE ARE NO MAJOR OUTSTANDING BILATERAL AGRICULTURAL TRADE PROBLEMS AT THIS TIME. ALTHOUGH THE TWO-WAY TRADE BALANCE IN AGRICULTURAL PRODUCTS STILL FAVORS YUGOSLAVIA, IT NARROWED APPRECIABLY LAST YEAR TO ABOUT 10 MILLION DOLLARS, DUE TO INCREASING IMPORTS OF SOYBEANS AND SOYBEAN MEAL. IF THE GOY ACCEPTS THE CCC CREDITS FOR SOYBEAN PURCHASES CURRENTLY BEING OFFERED, THEN THE AGRICULTURAL TRADE GAP SHOULD CLOSE

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IN 1978, EVEN THOUGH OUR IMPORTS OF HAMS ARE EXPECTED TO INCREASE.

12. THE ESTABLISHMENT OF JOINT U.S.-YUGOSLAV ECONOMIC WORKING GROUPS, WHICH WE HAVE PROPOSED TO THE YUGOSLAVS AS PART OF THE TITO VISIT, SHOULD PROVIDE A USEFUL INTER-GOVERNMENTAL MECHANISM TO ADDRESS ECONOMIC AND NONCOMMERCIAL

RPROBLEMS ON A REGULAR BASIS.

NONPROLIFERATION: NUCLEAR LICENSE FOR KRSKO:

13. THE TRILATERAL AGREEMENT WITH THE IAEA AND GOY FOR THE SUPPLY OF NUCLEAR EQUIPMENT AND MATERIAL FOR THE KRSKO NUCLEAR PLANT BEING BUILT HERE BY WESTINGHOUSE DOES NOT CONFORM TO THE CRITERIA FOR NUCLEAR EXPORTS NOW REQUIRED BY THE USG AND CONTAINED IN PENDING ANTIPROLIFERATION LEGISLATION. IN DECEMBER 1976, THE DEPARTMENT MOVED TO RECTIFY THIS AND ASKED THE GOY TO GRANT THE U.S. APPROVAL RIGHTS ON RETRANSFER AND REPROCESSING. THE GOY HAS REFUSED TO ACCEPT ANY NEW CONDITIONS UNLESS INTERNATIONALLY AGREED. THE YUGOSLAVS CLAIM THAT THE U.S. REQUEST INFRINGES NATIONAL SOVEREIGNTY, COULD IMPEDE THEIR ECONOMIC DEVELOPMENT, AND IS UNFAIR GIVEN YUGOSLAVIA'S RECORD ON NONPROLIFERATION. TO AVOID DELAYING THE PROJECT, AN EQUIPMENT EXPORT LICENSE WAS ISSUED LAST MAY IN RETURN FOR THE GOY'S COMMITMENT TO NEGOTIATE THE CONDITIONS FOR THE FUEL EXPORT. NEGOTIATIONS HELD ON FEBRUARY 17-18 PRODUCED A POSSIBLE SOLUTION. HOWEVER, THE GOY MAY NOT HAVE TIME TO REACT BEFORE THE TITO VISIT. IF TITO RAISES THIS ISSUE, AND HE PROBABLY WILL, WE SUGGEST A REPLY ALONG THE FOLLOWING LINES:

--PLACE KRSKO IN THE BROADER CONTEXT OF U.S. INTERNATIONAL POLICIES ON DISARMAMENT AND NONPROLIFERATION.

--NOTE THAT THE USG AND GOY OBJECTIVES IN NONPROLIFERATION
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ARE IDENTICAL.

--NOTE THAT USG NONPROLIFERATION POLICIES ARE NONDISCRIMINATORY AND THAT THE U.S. IS NOT ASKING MORE FROM GOY THAN FROM OTHER NATIONS.

--PRAISE SPIRIT OF COOPERATION SHOWN BY YUGOSLAV SIDE DURING NEGOTIATIONS.

--HOPE THAT A MUTUALLY SATISFACTORY RESOLUTION WILL BE FOUND BEFORE THE FUEL SHOULD BE EXPORTED, AUTUMN 1978.

SCIENTIFIC COOPERATION:

14. THERE ARE CLEAR INDICATIONS THAT THE DECLINE OF BILATERAL SCIENTIFIC COOPERATION WILL BE RAISED DURING THE TITO VISIT. ON NOVEMBER 24, 1977, FINANCE MINISTER CEMOVIC WROTE TO SECRETARY BLUEMENTHAL ASKING THAT U.S. FEDERAL ANNUITANTS IN YUGOSLAVIA BE PAID IN DOLLARS (AT CURRENT RATES 12 MILLION DOLLARS ANNUALLY) THUS FREEING DINARS TO SUPPORT SCIENTIFIC AND CULTURAL COOPERATION. A PRESIDENT OF THE ACADEMY OF SCIENCES AND ARTS IS INCLUDED ON THE OFFICIAL DELEGATION. INDEED, THE SUBJECT HAS RARELY PASSED UNMENTIONED IN HIGH-LEVEL VISITS AND, GIVEN THE RATE AT WHICH THE SCIENTIFIC COOPERATIVE PROGRAM IS WINDING DOWN, AND OUR STOCK OF DINARS

IS DWINDLING, THIS IS PROBABLY THE LAST CHANCE FOR SAVING THE JOINT PROGRAM. WE RECOMMEND REPLYING AS FOLLOWS:
--THE CEMOVIC REQUEST IS BEING GIVEN SERIOUS CONSIDERATION.
--THE EXISTENCE OF U.S.-OWNED EXCESS DINARS WAS A SPECIAL CIRCUMSTANCE THAT HAS COME TO AN END.
--THE USG IS EXPLORING POSSIBILITIES FOR CONTINUING COOPERATION.

MILITARY COOPERATION:

15. AN IMPORTANT U.S. OBJECTIVE IN YUGOSLAVIA IS TO DEVELOP CLOSER CONTACTS WITH THE YUGOSLAV ARMED FORCES (JAN) THAN WE HAVE NOW. THE JNA AND THE LCY ARE YUGOSLAVIA'S TWO STRONGEST AND MOST DURABLE POLITICALLY-RELATED INSTITUTIONS, AND THE
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POLITICAL INFLUENCE OF BOTH HAS INCREASED IN THE LAST SIX YEARS. JNA'S TIES TO THE POLITICAL CENTER HAVE BEEN INCREASED BY A STRONG LCY ORGANIZATION WITHIN THE JNA. IN HIS DEC.22, 1977 ARMY DAY TOAST, TITO CALLED ON THE MILITARY TO CONTINUE ITS ROLE OF HELPING TO PRESERVE THE UNITY OF THE NATION, AN UNNECESSARY REMINDER THAT THE MILITARY IS CERTAIN TO BE A DETERMINING FACTOR IN THE POST-TITO ERA. IN FACT, UNDER LESS THAN STABLE POST-TITO CONDITIONS, THE MILITARY COULD BECOME THE STRONGEST ELEMENT IN DETERMINING THE SUCCESSION AND CHARTING THE COUNTRY'S FUTURE. TITO, AS SUPREME COMMANDER OF THE JNA SINCE ITS CREATION DURING WORLD WAR II, HAS LONG BEEN INVOLVED INTIMATELY WITH THIS FORMIDABLE ALL-YUGOSLAV INSTITUTION.

16. IN PURSUIT OF OUR OBJECTIVE AND COMPLEMENTARY TO THE OTHER FACETS OF OUR BILATERAL RELATIONSHIP, WE HAVE BEEN ATTEMPTING TO ENHANCE MILITARY-TO-MILITARY COOPERATION. THIS COOPERATIVE EFFORT COMPRISES SEVERAL COMPONENTS:
(1) MAINTAINING A REGULAR SERIES OF SHIP VISITS TO YUGOSLAV PORTS, AND SEEKING TO HAVE AN NPW VISIT AT A FAVORABLE TIME;
(2) BEGINNING A PROGRAM OF SHIP REPAIRS IN THE YUGOSLAV SHIPYARD AT TIVAT; (3) SEEKING A MUTUALLY ACCEPTABLE SOLUTION TO OVERCOME THE BARRIERS, MOSTLY FINANCIAL, WHICH NOW PREVENT JNA OFFICERS (THE FUTURE MILITARY LEADERS OF YUGOSLAVIA) FROM RECEIVING PROFESSIONAL U.S. MILITARY TRAINING; (4) ESTABLISHING A MILITARY COOPERATION WORKING GROUP TO EXAMINE PERIODICALLY ALL OUR ACTIVITIES; (5) HIGH-LEVEL VISITS; AND
(6) MILITARY EQUIPMENT SALES. OF ALL THESE, THE LAST TWO ARE OF MOST IMMEDIATE INTEREST TO THE YUGOSLAVS, AND THE LAST MAY BE THE KEY TO A SUCCESSFUL RELATIONSHIP.

17. WITH THE NUMBER OF HIGH-LEVEL VISITS LAST YEAR AND PROPOSED FOR THIS YEAR, THE PACE HAS NEVER BEEN SO HIGH.
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IN 1977 SECDEF BROWN AND CNO HOLLOWAY CAME TO YUGOSLAVIA AND YUGOSLAV AIR FORCE C/S CEMALOVIC VISITED THE U.S. THIS YEAR VISITS ARE BEING PLANNED FOR USAF C/S JONES TO YUGOSLAVIA AND YUGOSLAV DEFMIN LJUBICIC AND ARMY C/S POTOVAR TO THE U.S. THESE VISITS AFFORD OPPORTUNITIES TO INSTILL CONFIDENCE IN U.S. STRENGTH AND INTENTIONS AND TO DEVELOP PERSONAL RELATIONSHIPS BETWEEN THE LEADERS OF THE RESPECTIVE DEFENSE ESTABLISHMENTS. IN ADDITION, FROM THE YUGOSLAV SIDE, THE SALES QUESTION IS ALWAYS HIGH ON THE DISCUSSION LIST, AND THEREBY HAS BECOME AN IMPORTANT ELEMENT OF THE CONFIDENCE EQUATION.

18. BEGINNING WITH DEPENDENCE ON THE SOVIETS FROM 1945 TO 1948, THE GOY HAS TURNED ALTERNATELY TO EAST AND WEST FOR ITS MILITARY EQUIPMENT AND TRAINING. AFTER THE MASSIVE U.S. GRANT MILITARY ASSISTANCE PROGRAM OF THE 1950'S, THE GOY CHOSE NOT TO RENEW THE ASSISTANCE AGREEMENT. ONCE AGAIN THE SOVIETS BECAME YUGOSLAVIA'S MAIN FOREIGN MILITARY SUPPLY SOURCE. IT STILL IS, ALTHOUGH THE GOY HAS BUILT A DOMESTIC MILITARY INDUSTRY PROVIDING THE JNA WITH BETWEEN 65 AND 85 PERCENT OF ITS MILITARY NEEDS. HOWEVER, AFTER THE SOVIET INVASION OF CZECHOSLOVAKIA IN 1968 THE GOY STARTED LOOKING BEYOND THE USSR TOWARD WESTERN EUROPE AND THE U.S. FOR OTHER FOREIGN SOURCES. A SORE POINT WITH THE U.S. HAS BEEN THE GOY'S DESIRE FOR EQUIPMENT OF SENSITIVE (AND OFTEN CLASSIFIED) TECHNOLOGY AND THE USG'S RELUCTANCE TO PROVIDE THIS SORT OF EQUIPMENT TO THE YUGOSLAVS. HOWEVER, US POLICY DECISIONS IN THE LAST FEW YEARS, THE MOST RECENT IN 1977 BY PRESIDENT CARTER, HAVE ENCOURAGED A MODEST SALES PROGRAM INCREASE INCLUDING THE CONSIDERATION OF SOPHISTICATED EQUIPMENT ON A CASE-BY-CASE BASIS. NEVERTHELESS, THE ONLY MAJOR ITEMS ON WHICH WE HAVE BEEN FORTHCOMING HAVE BEEN THOSE WHICH DO NOT CONTAIN THE LATEST TECHNOLOGY. WHILE IT MAY TAKE YEARS TO REDUCE THE YUGOSLAV DEPENDENCE OF THE USSR IN MANY AREAS, THIS IS A YUGOSLAV GOAL, AND WE, TOGETHER WITH OTHER WESTERN NATIONS, SHOULD DO WHAT WE CAN TO ASSIST. CONSEQUENTLY, WE HAVE

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RECOMMENDED THAT A POLICY DECISION BE TAKEN TO FREE AT LEAST ONE MAJOR ITEM OF YUGOSLAV INTEREST. UP TO NOW THE TOTALITY OF TURNDOWNS ON SOPHISTICATED EQUIPMENT MUST EVOKE A SORRY IMAGE IN THE YUGOSLAV VIEW. TO ALTER THIS IMPRESSION WE MUST DEMONSTRATE THAT WE ARE MORE THAN WILLING TO SUPPORT A QUALITATIVE CHANGE IN THE RELATIONSHIP.

CONSULAR:

19. A CONTINUING SOURCE OF CONCERN IN THE AREA OF CONSULAR RELATIONS IS THE ABSENCE OF AGREEMENT CONCERNING U.S. ACCESS TO DETAINED AMERICANS WHO ARE DUAL NATIONALS. IN 1972 THE EMBASSY ATTEMPTED TO NEGOTIATE AN AGREEMENT, IN THE SPIRIT OF ARTICLE 36 OF THE VIENNA CONVENTION, WHICH WOULD GUARANTEE CONSULAR ACCESS TO AMERICAN CITIZENS WHO ARE ALSO CONSIDERED TO BE YUGOSLAV CITIZENS. THE GOY TURNED THE U.S. PROPOSAL DOWN PRIMARILY FOR TWO REASONS: (1) YUGOSLAV CITIZENSHIP AND NATIONALITY LAWS DO NOT PERMIT FOREIGN CONSULAR ACCESS TO YUGOSLAV CITIZENS WHO HAPPEN TO HAVE ANOTHER NATIONALITY; AND (2) IF SUCH AN AGREEMENT WERE SIGNED OTHER COUNTRIES (CANADA, AUSTRALIA, FRANCE, ETC) WOULD DEMAND THE SAME ARRANGEMENT. IN 1974 THE GOY CIRCULATED A SO-CALLED PRO MEMORIA TO ALL DIPLOMATIC MISSIONS IN WHICH IT DECLARED THAT SUCH AGREEMENTS WOULD BE "CONTRARY TO THE CONSTITUTIONAL PRINCIPLE OF THE EQUALITY OF YUGOSLAV CITIZENS BEFORE THE LAW..." THE GOY DID PROMISE TO "TAKE INTO ACCOUNT" THE FACT THAT A PERSON DETAINED ALSO POSSESSED ANOTHER NATIONALITY.

20. IN THE EMBASSY'S VIEW, ONLY A CAREFULLY DRAWN AND EXECUTED AGREEMENT ON RECEIVING-STATE RESPONSIBILITIES REGARDING NOTIFICATION AND ACCESS IN THE CASE OF LIMITATION OF PERSONAL FREEDOM OF SENDING-STATE NATIONALS WILL ASSURE THE INTERESTS OF BOTH GOVERNMENTS IN THIS TROUBLESOME AND SECRET

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POTENTIALLY POISONOUS AREA OF OUR CONSULAR RELATIONS. CASES OF THIS NATURE CONTINUE TO ARISE, STRAINING OUR OTHERWISE GOOD RELATIONS, AND EFFORTS SHOULD NOW BE MADE TO REMOVE THIS PROBLEM AREA IN THE NEAR FUTURE.

CULTURAL AND INFORMATIONAL ACTIVITIES:

21. CULTURAL AND INFORMATION PROGRAMS HAVE ALSO PLAYED A MAJOR ROLE IN THE DEVELOPMENT OF BILATERAL RELATIONS. EXCHANGE ACTIVITIES, PARTICULARLY THE FULBRIGHT AND INTERNATIONAL VISITORS PROGRAMS, STRENGTHEN TIES BETWEEN THE TWO COUNTRIES. COMPLEMENTING ACTIVITIES OF THE EMBASSY, U.S. INFORMATION CENTERS (USIC) IN BELGRADE, ZAGREB, LJUBLJANA, SKOPJE AND SARAJEVO OFFER ANOTHER MEANS FOR ADVANCING U.S. INTERESTS IN YUGOSLAVIA. WITH RESIDENT AMERICAN OFFICERS, THESE CENTERS PROVIDE NOT ONLY AN AMERICAN PRESENCE IN THE COMMUNITY, BUT A UNIQUE OUTLET IN FIVE OF THE SIX YUGOSLAV REPUBLICS FOR AMERICAN IDEAS.

22. AS YUGOSLAVIA ENTERS THE TRANSITIONAL PERIOD LEADING TO THE POST-TITO ERA, WE CAN ACT TO PUT THE UNITED STATES INTO A POSITION OF INFLUENCE BY INTENSIFYING CULTURAL AND

INFORMTION CONTACTS AND EXCHANGES, AND BY EXPANDING THEM
INTO AREAS OF THE SOCIETY WHICH HAVE BEEN ALL BUT UNTOUCHED
UNTIL NOW (SUCH AS THE LCY, SAWPY, SOCIAL SCIENTISTS
AND REGIONAL POLITICAL GROUPINGS.) EAGLEBURGER.
UNQUOTE VANCE

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